



STATE BOARD OF EQUALIZATION

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May 3, 1988

Dear Mr.

As requested in our recent telephone conversation, this letter will confirm our opinion regarding the application of Revenue and Taxation Code section 68 and Board Rule 462.5 (copy enclosed) to the following facts.

In September 1987, the city of Alhambra acquired your client's four unit residential income property at a purchase price of \$200,000. Prior to the acquisition, your client resided in one of the four units. Your client purchased a replacement residence at a price of \$195,000 which we assume was the market value of the property at the time of acquisition. We also assume that one-fourth of the purchase price of the fourplex as well as one-fourth of its adjusted base year value were allocable to the unit in which your client resided.

I advised you that under Rule 462.5(d)(3) the base year value of the replacement property would be the sum of 1) the amount by which the market value of the replacement property exceeded 120 percent of the purchase price of the property taken and 2) the adjusted base year value of the property taken.

Since only the residential portion of the fourplex has been replaced as of now, our analysis must be restricted to that portion of the purchase price and adjusted base year value which is attributable to the unit resided in by your client, i.e., one-fourth. Thus, since the market value of the replacement property exceeded 120 percent of \$50,000 by \$135,000 (\$195,000 minus \$60,000), the base year value of the replacement property would be \$135,000 plus one-fourth of the adjusted base year value of the fourplex. See Rule 462.5(c)(3) examples.

The same analysis would apply if your client were to buy a replacement property to replace that portion of the fourplex not used as a residence by your client. For purposes of that

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analysis, three-fourths of the purchase price and adjusted base year value of the fourplex must be considered. Thus, if your client purchases a multi-family residential property of at least three units which had a market value of \$180,000 (120 percent x \$150,000), the base year value of that replacement property would be three-fourths of the adjusted base year value of the fourplex. Similarly, if the market value of the replacement property is \$240,000, the base year value would be \$60,000 (240,000 minus \$180,000) plus three-fourths of the adjusted base year value of the fourplex. Please be advised that in our opinion the replacement property must be a multi-family residential property of at least three units in order to qualify as comparable under Rule 462.5(c)(2).

The views expressed in this letter are, of course, advisory only and are not binding upon the assessor of any county. You may wish to consult the appropriate assessor in order to confirm that the described property will be assessed in a manner consistent with the conclusion stated above.

If you have any further questions regarding this matter, please let us know.

Very truly yours,



Eric F. Eisenlauer  
Tax Counsel

EFE:cb  
1025D

cc: Mr. Gordon P. Adelman  
Mr. Robert H. Gustafson  
Mr. Verne Walton